



Tennessee State Board of Accountancy  
Department of Commerce and Insurance  
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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

March 28, 2002

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on March 28, 2002, at 10:00 am.

Members present were Dan Johnson, Chairman; David Curbo, Vice-Chairman; Micheal Vaughn, Secretary; Charles Frasier, Mark Layne, Grady Williams, Mickey Ison, and Bill Dunavant.

Also present were Darrel Tongate, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Holston, Administrative Assistant; Linda Biek, Investigator; Dan Syriac, Administrative Manager and Brad Floyd, Executive Director of the TSCPA.

Dan Johnson called the meeting to order at 10:45am. He introduced and welcomed the new Board Member Bill Dunavant.

Darrel Tongate informed the Board that Maxie Patton was ill, Mark King's father was seriously ill, Deborah Henderson had to appear in Court, and they were not able to attend today's meeting.

Dan Johnson asked for a motion to approve the minutes from the November 16, 2001, Board meeting. Micheal Vaughn motioned to approve the minutes for the November Board meeting. David Curbo seconded the motion; it was voted on and passed.

Dan Johnson asked for a motion to approve the minutes from the January 7, 2002 Board meeting. David Curbo motioned to approve the minutes for the January Board meeting. Micheal Vaughn seconded the motion; it was voted on and passed.

Darrel Tongate presented the Executive Director's Report: (see attached report)

- 1) Darrel announced the next Board Meeting date as June 17-18, 2002.
- 2) NASBA Regional Meeting June 9-11 in Cleveland, Ohio. NASBA will pay for the five new Board Members and Darrel to attend. No plans to attend.
- 3) CPA Exam Proctors for May exam; Knoxville: Darrel and Mark King; Nashville: Micheal Vaughn and Charles Frasier; Memphis: Mickey Ison, Deborah Henderson and David Curbo. The Memphis exam is not at Rhodes College, the location will be announced later.
- 4) Exam statistics report attached. Exam grades have declined to below the pre 150-hour requirement since the 30/30 requirement has been removed.
- 5) Dan Johnson attended the NASBA Exam Meeting. The topic was CBT. The final vote for CBT was 7-NO and 43-YES. Dan Johnson reported that he voted YES for the Tennessee State Board. CBT will start in November 2003.
- 6) David Vaughn of Idaho was nominated to be the incoming Vice Chair of NASBA...we had nominated Will Pugh.
- 7) The Sunset Bill passed the Senate allowing our Board to continue through June 20, 2008.
- 8) Eli Mason's article was distributed to the Board Members.

- 9) We have been invited to hold a booth at the TSCPA Convention in June. David Curbo motioned to request the fee to hold a booth. Micheal Vaughn seconded the motion. It was voted on and passed.
- 10) The TSCPA has offered us the use of their space (for Board Meetings, etc.) anytime needed, with no charge.
- 11) Proposed Ethics changes are being worked on by NASBA.
- 12) NASBA Board Meeting minutes are available to whomever would like to see them.
- 13) Enron/Anderson update from Connaught regarding three TN licensees.
- 14) Attached are financial reports of the Board and the 2003 budget.
- 15) Any nominees for Regional or At-Large Director of NASBA? None announced.
- 16) Exam Conditioning law changes discussed. Micheal Vaughn motioned to accept the model of new conditioning with CBT, but to continue the old conditioning until the November 2003 exam. David Curbo seconded the motion. It was voted on and passed.
- 17) Focus questions reviewed and accepted as is.

#### LUNCH BREAK (11:55 PM)

#### RECONVENE (1:00 PM)

Connaught O'Connor presented the Attorney's Report/Probable Cause Committee report (copy attached). Some changes were made to the report in the Committee meeting. New Case #5 -- Consent order with a \$450 penalty and a peer review due by August 31, 2002. New Case #7 -- Refer to Probable Cause Committee. New Case #8 -- Closed. New Case #18 -- Formal Hearing, try to schedule for June 18, 2002. New Case #23 Consent Order penalty of \$1,000.00. New Case #32 -- Add sixteen (16) hours of CPE in Compilation and Review above the regular 80-hour requirement. New Case #33 -- Add twenty-four (24) hours of CPE [ 8 hrs of Governmental Audit, 8 hrs of Audit Update, and 8 hrs of FASB update] above the regular 80-hour requirement. New Case #50 -- Duplicate. New Case #67 -- Resend. New Case #72 -- Consent Order of \$600 with a peer review due by August 31, 2002. New Case #75 -- Add, "If reinstates, must have pre-issuance peer review. New Cases #77, 78, 80, 81 & 82 -- Hold for recommendation from Micheal Vaughn. David Curbo motioned to approve report as amended. Mickey Ison seconded the motion; it was voted on and passed.

A discussion took place regarding Senate Bill 2010 and the Accountability Act of 2002. This topic will be re-addressed at the end of the Board Meeting.

Grady Williams presented the CPE Committee Report. Grady Williams motioned to approve the issuance of 92 new CPA certificates and 33 reciprocal CPA certificates whose experience and other qualifications had been approved by the Board's staff. Charles Frasier seconded the motion; it was voted on and passed.

Micheal Vaughn presented the Peer Review Committee Report. He reported that seven firms were delinquent in their Peer Review. Two of these firms have an approved extension; the other five were referred to Probable Cause. A new Experience Policy was proposed, ***"Any individual licensee who is responsible for supervising attest services and signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the firm shall meet professional competencies with no less than two years experience in the preparation of financial statements or reports on financial statements gained through employment in government, industry, academia or public practice."*** This Peer Review Committee added an additional sentence; ***"The new firm performing attest services must have a peer review covering the period from the date of the initial permit through December 31 of that year."*** Charles Frasier motioned to remove the word "with" after professional competencies and add "and shall have." Micheal Vaughn motioned to approve the policy. David Curbo seconded the motion. It was voted on and passed. Two individuals that were sent Consent Orders for non-compliance with the peer review from last year have completed the peer review but have not signed or paid the Consent Order. The committee agreed to file a formal complaint.

## Old Business:

Darrel announced that the following language was added to the CPA Exam Application regarding felony convictions. ***"A felony conviction may cause one to not be able to obtain a certificate as a CPE in Tennessee as the law requires that applicants for a certificate be of good moral character which is defined as a lack of a history of dishonest or felonious acts."*** This will be considered a new policy effective since January 7, 2002. David Curbo motioned to approve retro to the January 7, 2002 meeting. Mark Layne seconded the motion. It was voted on and passed.

The Task Force recommends to the Board to approve the policy updates attached after their review on January 7, 2002. Micheal Vaughn made a motion to accept the policy updates and deletions due to the law and rule changes. David Curbo seconded the motion. It was voted on and passed.

## New Business:

David Curbo made a policy recommendation for the initial or reinstatement of a CPA license or a firm permit. The policy reads: ***"Where an application is received for an individual license or firm permit, pertaining to the initial license or permit or reinstatement of a lapsed license or permit, the Board directs the Staff to determine if any disciplinary action has previously been taken against the firm or individual or any investigation or complaint is currently pending on the firm or individual. If any of the conditions exists, the application is to be brought to the Board to determine whether or not to approve the application or reinstatement."*** David Curbo motioned to approve the policy. Micheal Vaughn seconded the motion. It was voted on and passed.

A discussion took place regarding the new Temporary (license) Notification application (see attached). David Curbo motioned to approve the application. Charles Frasier motioned to remove the words "as far as I am able to determine." Mark Layne seconded the motion as edited. It was voted on and approved.

Darrel announced that he met with the Comptroller's office regarding the CPA contract amendment. The Contract is still not approved at this time.

Discussion resumed regarding Senator Leahy's Act. Connaught will carry back the Board's thoughts to the Attorney General's office. Micheal Vaughn's opinion was "We don't like it." Charles Frasier's opinion was "Many unreasonable requirements in this Bill."

A short discussion was sparked by Charles Frasier regarding our Ethics laws differing from the AICPA's. Should we have our own Ethics Exam? Not at this time.

There being no further business to come before the Board the meeting was adjourned.

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CHAIRMAN

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SECRETARY